

**BUDGET COMMITTEE
of the
SUFFOLK COUNTY LEGISLATURE**

Minutes

A regular meeting of the Budget Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislative Building, Veterans Highway, Smithtown, New York, on Tuesday, **June 3, 2003**.

Members Present:

Legislator Martin Haley - Chairman
Legislator David Bishop - Vice-Chairman
Legislator William Lindsay

Also In Attendance:

Paul Sabatino II - Counsel to the Legislature
Fred Pollert - Director, Budget Review Office
Ken Knappe - County Exec's Office
Bill Faulk - County Exec's Office
Christine Chayes - Civil Service
Alexandra Sullivan - Chief Deputy Clerk - Legislature
All other interested parties

Minutes Taken By:

Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 12:35 P.M.*)

CHAIRMAN HALEY:

Please stand for the Salute.

SALUTATION

TABLED RESOLUTIONS

2255-02. To transfer surplus funds to County Tax Stabilization Reserve Fund. (ALDEN)

LEG. BISHOP:

Motion to table.

CHAIRMAN HALEY:

Motion to table by Legislator Bishop, seconded by Legislator Lindsay.
All those in favor? Opposed? 2255 is TABLED. (VOTE:3-0-0-0)

1146-03. Implementing Operating Agreement between the County of
Suffolk and the Suffolk County Campaign Finance Board. (POSTAL)

CHAIRMAN HALEY:

Do we have a motion? Any motions?

LEG. BISHOP:

What's the agreement?

CHAIRMAN HALEY:

I'm -- I don't know what the agreement is. I'm prepared to pass this
so.

LEG. BISHOP:

So if you are not going to support it, let's table.

CHAIRMAN HALEY:

No. I do intend to pass it.

LEG. LINDSAY:

Give me an explanation

CHAIRMAN HALEY:

Creates a position. It's transferring \$125,000 out of Legislative
Budget Review Office to the Campaign Finance Board. It also specifies
Grade 17 as Director of Campaign Finance Board. It actually creates
that position.

LEG. BISHOP:

That's it?

CHAIRMAN HALEY:

That's it.

MR. SABATINO:

Just to quickly explain. On the budgetary transfer, the reason for
that is because the money was put in the wrong office in the beginning

of the year by the County Executive's Budget. It shows \$125,000 in
Budget Review, but Budget Review is not the Campaign Finance Board.
So this line items the money at the Campaign Finance Board where it
should be. That's the --

LEG. BISHOP:

Not an increase, just correcting it.

MR. SABATINO:

That's the money aspect of it. And then as Chairman Haley indicated, the other aspect was to create the actual budgeted position for the Director of the Campaign Finance Board instead of having it funded as a consultant contract, which has been the case in the past.

CHAIRMAN HALEY:

Connie, the pay grade on 17, the low and the high? Thirty-eight or 58 or 68 or 62 or something.

MS. CHAYES:

Step one which would be effective June 1st, it starts at \$37,949, and the step 12, top of the range of that grade is \$53,035.

LEG. LINDSAY:

Motion.

CHAIRMAN HALEY:

Motion by Legislator Lindsay, seconded by myself. All in favor? Opposed? 1146 is APPROVED. (VOTE: 3-0-0-0)

INTRODUCTORY RESOLUTIONS

1413-03. Amending the 2003 Operating Budget and Transferring Funds to HUGS, Inc. (CARACCILO)

CHAIRMAN HALEY:

Legislator Caracciolo requested this be tabled. I'll make that motion, seconded by Legislator Bishop. All in favor? Opposed? TABLED. (VOTE: 3-0-0-0)

1416-03. Amending the 2003 Operating Budget Transferring funds to Cornell Cooperative Extension Association. (CARACCILO)

CHAIRMAN HALEY:

Legislator Caracciolo has also asked this to be tabled. I'll make that motion, seconded by Legislator Lindsay. All in favor? Opposed? TABLED (VOTE: 3-0-0-0).

1418-03. Transferring contingent funding for various contract agencies. (PRESIDING OFFICER)

CHAIRMAN HALEY:

There was a corrected copy. Counsel, we can vote on this?

MR. SABATINO:

Yes, Mr. Chairman. It was filed yesterday in time to meet the

deadline.

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LEG. BISHOP:
Motion.

CHAIRMAN HALEY:
Motion by Legislator Bishop, seconded by myself. All those in favor?
Opposed? 1418 is APPROVED (VOTE: 3-0-0-0)

LEG. BISHOP:
Before we adjourn, Mr. Chairman. Legislator Caracciolo's resolutions,
they are -- those are the funding lines that are include in that bill
that we passed with the money for the Jewish Y?

CHAIRMAN HALEY:
Correct.

LEG. BISHOP:
What's the status of that bill.

CHAIRMAN HALEY:
I understand that the County Executive signed that, I believe.
Anybody have any idea? Ken.

MR. KNAPPE:
I'm not aware that the County Executive signed it or vetoed it. I'm
not sure.

CHAIRMAN HALEY:
My aide says that she understands --

LEG. BISHOP:
How about behind you. You don't know either?

MR. SABATINO:
The time to veto is probably passed. So it's either a pocket
approval or it was signed.

MR. FAULK:
The bill is pocket approved.

LEG. BISHOP:
Pocket.

MR. SABATINO:
Good guess.

LEG. BISHOP:

So in that case, take the -- take the two -- I'll recall --

CHAIRMAN HALEY:

I have a motion to reconsider 1413 and 1417 by Legislator Bishop, seconded by myself. All those in favor? Opposed? It comes before us.

LEG. BISHOP:

Motion to table subject to call.

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CHAIRMAN HALEY:

1413, a motion to table subject to call by Legislator Bishop, seconded by Legislator Lindsay. All in favor? Opposed? 1413 is
TABLED SUBJECT TO CALL (VOTE: 3-0-0-0)

CHAIRMAN HALEY:

1416, a motion by Legislator Bishop to table subject to call, seconded by myself. All those in favor? Opposed?
1416 is TABLED SUBJECT TO CALL (VOTE: 3-0-0-0).

Anything else?

MR. KNAPPE:

Legislator Haley, before you adjourn, I just wanted to reiterate what Todd Johnson from the County Executive's Office mentioned in front of the Finance Committee meeting, that the County Executive is preparing for possible consideration of the Legislature, Certificate of Necessity Resolutions. One dealing with the extension of a penny of the sales tax, which is slated to expire on November 30, 2003 and extend that once again in the same way that it has been extended in the past to November 30, 2005. And the other one is dealing with the issues of sales tax exemption, two week holiday period. That issue might be getting brought forward in front of the Legislature as well at the next Legislative meeting.

LEG. BISHOP:

That would effectively be to repeal the sales tax on clothing, right? A repeal of the repeal of the sales tax on clothing.

MR. KNAPPE:

Currently, there's no sales tax exemption for clothing based on the state -- the state passage. We are looking into the possibility of granting the taxpayers two weeks of --

LEG. BISHOP:

So the state gave it back to us. In other words --

MR. KNAPPE:
That's correct.

CHAIRMAN HALEY:
No. The state took it -- no. The state took it away from the sales taxpayer, okay, by --

MR. KNAPPE:
They repealed the exemption.

CHAIRMAN HALEY:
But the question is whether or not we're going to get it. Fred.

MR. POLLERT:
Just to clarify. The comments of Todd Johnson were not discussed with the County Executive's Budget Office nor with the Budget Review Office. The two budget models at this point in time would indicate that absent the continuation of the sales tax on clothing past June of next year, you should really not opt into the two week -- the two, one

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week exemptions. So probably what would be if the County Executive also brought across a Certificate of Necessity to extend the sales tax on clothing beyond June of next year.

LEG. LINDSAY:
To extend it. I'm still confused.

MR. POLLERT:
Currently, the State of New York has reimposed sales tax on clothing. However, that will expire in June of next year, in 2004. The County has the option of reinstituting the sales tax on clothing from June on in 2004. Both budget models at this point in time were assuming the extension of the sales tax on clothing beyond June of 2004. From the Budget Review Office's point of view, it would appear to be prudent for the County Executive to request an extension of sales tax on clothing beyond June of next year prior to opting into exemptions on sales tax.

LEG. LINDSAY:
Okay. I'm a little slow, so let's just go back a couple of steps. Last fall, the County Executive wanted us to reimplement the sales tax on clothing under \$110.

MR. POLLERT:
That's correct.

LEG. LINDSAY:

The Governor on his end has requested that the Legislature has approved it on the state level and that automatically affects the County, we don't have any say in that, am I correct in this assumption?

MR. POLLERT:

That's correct, that our understanding that --

LEG. LINDSAY:

But only through next June.

MR. POLLERT:

Only through next June.

LEG. LINDSAY:

Now. Will the Governor have the opportunity to extent it again next June?

MR. POLLERT:

The State Legislature always has that option, but currently the County would have to take an action to reimpose it before March. Normally, the County could reimpose it in March of 2004 if you took an action 90 days prior to that. Paul Sabatino looks pained, so perhaps he can --

MR. SABATINO:

No. I just want to caution everybody to be careful, because these are uncharted waters. It's unprecedented, and I stated at the earlier committee meeting, I haven't been able to get an answer from the State Department of Taxation and Finance, which is the department that

implements the statute. So just by way of retracing the steps. There was a proposal last year to reinstate the sales in clothing. The County took no action, so the exemption continued. That's \$60 million continued to be an exemption floating around. The Governor proposed and the State Legislature adopted a repeal of our local exemption.

What's unclear even at this late date, because I continue to write to the state and ask for an interpretation, is who gets the \$60 million. Okay. But it would appear in talking to merchants who were calling in on Friday afternoon in a panic about how to fill out their forms, it could appear from the format of the forms that the state grabbed the \$60 million, which would be unprecedented from the standpoint of usurping a local taxing prerogative. So we're in uncharted waters in the sense that I've never seen this happen in the 26 years that I've been doing this. And I still haven't gotten an answer, and I

even sent another letter yesterday as a follow up because it's important for you to know how to deliberate.

Furthermore, as Fred indicated, something -- it appears to be tentative only to take into June 1st of 2004. But what the state did, they could repeat. So the County acting to extend the sales tax and repeal the exemption could be a meaningless act, because if the state has truly usurped that money, we would be restating 100% of nothing. So you have to be a little bit careful about that reinstatement. And the last point is the one that the Budget Office brought up, it would appear that to get those two week exemptions -- those two one-week exemption; one the week before Labor Day and one for Martin Luther King that would take an affirmative act to opt in. But again, I've asked for the model state legislation, because you can't do sales tax without their input, without their model, and we haven't gotten the model. So it's a very complicated unusual sequence of events.

CHAIRMAN HALEY:
Legislator Carpenter.

LEG. CARPENTER:
Thank you. I happen to be speaking with a merchant yesterday who was quite upset. And I was not sure if it included our portion, because we hadn't acted on it. So I called Senator Johnson's Office, he's the Chairman of the Finance Committee and they called me back a few minutes later and said that, yes, the eight and three quarter percent is on across the board for all clothing purchases, that it still though a state portion, County portion, MTA portion and the other portion that we have the water. But that it was so -- it was utter chaos. The forms are all mixed up, it's not a good thing. But you're right in what you're saying, and I thank you for pursuing it with State Tax and Finance because --

MR. SABATINO:
It's so chaotic, Legislator Carpenter, that we were fielding inquiries in my office on Friday afternoon from merchants. I mean, I had people calling from out of state. London Fog called from Maryland, by way of example. I mean, the State Department of Taxation and Finance apparently is not capable of giving answers, because normally, we wouldn't be giving those answers on what to do with the money. But forms that were read over the phone to, and one was faxed to me,

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sounds -- at least preliminarily, it sounds like the money is being sent up to Albany in its totality.

LEG. CARPENTER:
Right. They're being required to send the money up.

MR. SABATINO:

I just don't know if we're going to get back the 60 million, and that's an important -- that's an important issue before we start making decisions on budget issues.

CHAIRMAN HALEY:

There goes my two minute meeting. Ken and then Fred.

MR. KNAPPE:

Basically all I was doing for the Legislature is bringing up that there is a possibility that CNs might be coming forward at the next General Meeting just so the Legislature as a whole are not blind-sighted on this issue.

CHAIRMAN HALEY:

Maybe we'll have better picture by then, right?

MR. KNAPPE:

Hopefully so, especially with the work that Legislative Counsel is doing as well as the Budget Review Office and the Budget Office.

CHAIRMAN HALEY:

Maybe, Counsel, when you send out your letter, maybe you should cc some of that to Senator Johnson. Fred.

MR. POLLERT:

Just that the Budget Review Office has been trying to get an answer from the State Finance and Taxation, but we couldn't get an definitive answer from them. It's the believe of rom NYSAC that the funds will flow to both the County as well as to the state.

CHAIRMAN HALEY:

The way it used to. Legislator Lindsay.

LEG. LINDSAY:

Okay. So what we do know is the tax is back implemented on clothing under \$110. We're not sure where the money's going to go, whether we're going to get it or not. We haven't been able to confirm that. And what you are talking about a CN to -- beyond June 2004? You are not going to send that over now.

MR. KNAPPE:

Basically what the County Executive is looking into for the next general meeting are two CNs; the first CN is to continue the normal home rule message of extending a penny that is expiring, that has nothing do with the sales tax on clothing. The second one is the belief that we're under, the Budget Review Office and the Budget Office and NYSAC that the money that we were not receiving, the exemption in the sales tax on clothing, if that is coming back down to

the county, we are looking at the possibility of bringing over a

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Certificate of Necessity for extending a two one-week periods of exempting that sales tax on clothing for the taxpayers. That's what we're looking at right now.

LEG. LINDSAY:

So to adopt the same program that the state's putting in place?

MR. KNAPPE:

If everything is falling into the place where it belongs, yes.

LEG. LINDSAY:

Okay. Now it's good.

MR. SABATINO:

If we're going to do a home rule message, there's no need for a CN. Just save some effort on that, just bring the bill over. That's all it is. If it is not the actual implementing bill, it will just save you the trouble of trying to struggle for the CN.

MR. KNAPPE:

Okay.

CHAIRMAN HALEY:

Legislator Bishop.

LEG. BISHOP:

Speaking of money flowing to the County or flowing to the state, I've been reading in the newspaper about --

CHAIRMAN HALEY:

First mistake.

LEG. BISHOP:

Medicaid funds, I believe, from Federal Government, or it is Medicare funds? Medicaid funds, it would have to be. The issue is whether it will flow down to the County. And apparently, a decision was made in Washington that will affect us in a positive way; is that correct?

MR. POLLERT:

Yes. The funds should be flowing through to the State of New York. The intent is that they flow through to the County, that the County proportionate share of Medicaid not increase. However, we have not yet received confirmation that the federal money that's flowing through to the state will in turn flow through to the County. However, what we're also noting is that the weekly shares report has

skyrocketed in part because it appears that the State of New York was holding up on a few of the Medicaid bills until they knew that the budget was in place. So the Medicaid shares to the County, the charges to the County, have skyrocketed in the last three weeks.

LEG. BISHOP:

That should come back down, right?

MR. POLLERT:

We don't know. I'm not sure exactly what's going on and why the shares have gone up that high.

LEG. BISHOP:

All right. But are we getting more money --

MR. KNAPPE:

We're basically under the same impression. We're not 100% confident yet that the funds that are going from the Federal Government to the state will be passed back down to the County level.

MR. POLLERT:

We know the County's cost has gone up.

LEG. BISHOP:

I thought they wrote that into the law. I thought they reached an agreement.

MR. SABATINO:

I followed this pretty closely. Congress clearly indicated the money was to be shared. The problem is you are dealing with Albany. But I would suspect that at the end of the process that the pressure --

LEG. BISHOP:

Do they know our litigation record? Aren't we undefeated? Well, not quite, but we're pretty good.

MR. SABATINO:

On reimbursement we are, we're 100 for 100.

CHAIRMAN HALEY:

Anything else?

LEG. LINDSAY:

No.

CHAIRMAN HALEY:

We're adjourned.

(*THE MEETING WAS ADJOURNED AT 12:55 P.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY